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CRAVATH, SWAINE & MOORE

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NEW YORK, N.Y. 10005

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I.C.C.

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ROSWELL L. GILPATRIC
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FRANK H. DETWEILER
GEORGE G. TYLER
JOHN H. MORSE
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WILLIAM B. MARSHALL
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FRANCIS F. RANDOLPH, JR.
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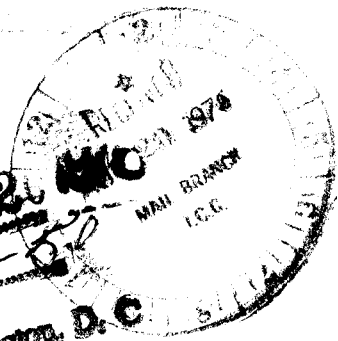
CABLE ADDRESSES
CRAVATH, N.Y.
CRAVATH, PARIS
CRAVATH, LONDON S.W.1

8447-23A050
AUG 20 1976

Date

Fee \$ 100-50

ICC Washington, D.C.



August 20, 1976

8447-19

Dear Sir:

Pursuant to Section 20c of the Interstate Commerce Act and the Commission's rules and regulations thereunder, as amended, I enclose herewith on behalf of Louisiana & Arkansas Railway Company for filing and recordation counterparts of the following documents:

1(a) Conditional Sale Agreement (No. 1) dated as of June 15, 1976, between Exchange National Bank of Chicago, as Trustee, and each of General Motors Corporation (Electro-Motive Division) and PACCAR Inc;

(b) Agreement and Assignment (No. 1) dated as of June 15, 1976, between each of General Motors Corporation (Electro-Motive Division), PACCAR Inc and American National Bank & Trust Company of Chicago, as Agent;

2(a) Lease of Railroad Equipment (No. 1) dated as of June 15, 1976, between Louisiana & Arkansas Railway Company and Exchange National Bank of Chicago, as Trustee;

(b) Indemnity Agreement dated as of June 15, 1976, between Louisiana & Arkansas Railway Company and Exchange National Bank of Chicago, as Trustee;

(c) Assignment of Lease and Agreement dated as of June 15, 1976, between Exchange National Bank of Chicago, as Trustee, and American National Bank & Trust Company of Chicago, as Agent;

(d) Guaranty Agreement (No. 1) dated as of June 15, 1976, between The Kansas City Southern Railway Company

and Exchange National Bank of Chicago, as Trustee.

The names and addresses of the parties to the aforementioned Agreements are as follows:

(1) Agent-Vendor-Assignee:

American National Bank & Trust Company of Chicago
33 North LaSalle Street
Chicago, Illinois 60690

(2) Trustee-Vendee-Lessor:

Exchange National Bank of Chicago
130 South LaSalle Street
Chicago, Illinois 60690

(3) Guarantor:

The Kansas City Southern Railway Company
114 West Eleventh Street
Kansas City, Missouri 64105

(4) Builders:

General Motors Corporation
(Electro-Motive Division)
LaGrange, Illinois 60525

PACCAR Inc
1400 North 4th Street
Renton, Washington 98055

(5) Lessee:

Louisiana & Arkansas Railway Company
114 West Eleventh Street
Kansas City, Missouri 64105

Please file and record the documents referred to in this letter and cross-index them under the names of the Agent-Vendor-Assignee, the Trustee-Vendee-Lessor, the Guarantor, the Builder and the Lessee.

The equipment covered by the aforementioned documents consists of the following:

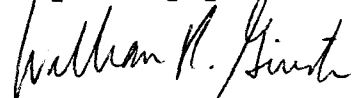
Three Diesel-Electric Locomotives, bearing identifying numbers KCS667-KCS669, both inclusive; and

Seven Cabooses, bearing identifying numbers KCS400-KCS406, both inclusive.

There is also enclosed a check for \$100 payable to the Interstate Commerce Commission, representing the fee for recording the Conditional Sale Agreement and related Agreement and Assignment (together constituting one document) and the Lease of Railroad Equipment, the related Indemnity Agreement, the related Assignment of Lease and Agreement and the related Guaranty Agreement (together constituting one document) pursuant to 49CFR1116.1

Please stamp all counterparts of the enclosed documents with your official recording stamp. You will wish to retain two copies of the instruments for your files. It is requested that the remaining counterparts be delivered to the bearer of this letter.

Very truly yours,



William R. Giusti,
As Agent for Louisville & Arkansas
Railway Company

Robert L. Oswald, Esq.,
Secretary,
Interstate Commerce Commission,
Washington, D. C. 20423

Encls.

A

0447-2
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INTERSTATE COMMERCE COMMISSION

INDEMNITY AGREEMENT dated as of June 15, 1976, between LOUISIANA & ARKANSAS RAILWAY COMPANY (hereinafter called the Lessee) and EXCHANGE NATIONAL BANK OF CHICAGO, as Trustee (hereinafter called the Lessor) under a Trust Agreement dated as of the date hereof with the Party Named in Schedule A of said Trust Agreement (hereinafter called the Beneficiary).

WHEREAS the Lessor is entering into a conditional sale agreement dated as of the date hereof with GENERAL MOTORS CORPORATION (Electro-Motive Division) and with PACCAR Inc (said corporations being hereinafter called collectively the Builders), pursuant to which the Builders severally agree to manufacture, sell and deliver to the Lessor the units of railroad equipment (hereinafter called the Equipment) described in Annex B thereto;

WHEREAS the Lessor and the Lessee are entering into a Lease of Railroad Equipment dated as of the date hereof (hereinafter called the Lease), providing for the leasing by the Lessor to the Lessee of units of the Equipment (hereinafter called the Units); and

WHEREAS, as an inducement to the Lessor to enter into the Lease with the Lessee and to lease the Units to the Lessee and as an inducement to the Beneficiary to provide funds to the Lessor for the financing of the purchase of the Units, the Lessee agrees to indemnify the Beneficiary against the loss of certain benefits under the Lease;

NOW, THEREFORE, in consideration of the premises and of other good and valuable consideration, the parties hereto agree as follows:

1. If for any reason (except as a direct or indirect result of the occurrence of any Excluded Event set forth below), the Beneficiary shall not have, or shall lose the right to claim, or shall suffer a disallowance of or shall be required to recapture (any such event being hereinafter called a Loss), all or any portion of the Investment Credit, the ADR Deduction, or the Interest Deduction as such terms are defined in § 16 of the Lease (hereinafter each called a Benefit) with respect to all or part of any Unit, then in any such case the Lessee shall pay to the Lessor, on each rental payment date under the Lease on and after

written notice to the Lessee by the Lessor that such Benefit cannot be claimed by the Beneficiary, or (if claimed and then disallowed or required to be recaptured) on and after the next such succeeding rental date after payment of the tax attributable thereto, such additional amount for such Unit as, in the reasonable opinion of the Beneficiary, will cause the net after-tax yield and deferred income of the Beneficiary in respect of such Unit hereunder and under the Lease to equal the net after-tax yield and deferred income (computed on the same assumptions as utilized by the Beneficiary in originally evaluating this transaction) in respect of such Unit under the Lease that would have been available if the Beneficiary had been entitled to utilization of all of the Benefits, and the Lessee shall forthwith pay to the Lessor the amount of any interest or penalty which may be assessed by the United States against the Beneficiary attributable to the disallowance, recapture or loss of all or any portion of the Benefit; provided, however, that such additional amounts and the amount of any interest or penalty will not be paid to the extent that the Beneficiary shall have lost, or shall not have, or shall have lost the right to claim, or shall have suffered a disallowance of, or shall have been required to recapture all or any portion of any Benefit with respect to all or part of such Unit as a direct or indirect result of the occurrence of any of the following events (hereinafter called Excluded Events):

(i) a Casualty Occurrence (as defined in the Lease) with respect to such Unit, if the Lessee shall have paid to the Lessor the amounts stipulated under § 7 of the Lease;

(ii) a voluntary transfer or other voluntary disposition by the Beneficiary of any interest in such Unit or the voluntary reduction by the Beneficiary of its interest in the rentals from such Unit under the Lease (other than pursuant to the assignment of the Lease to the Vendor), unless, in each case, an Event of Default shall have occurred and be continuing;

(iii) the failure of the Beneficiary to claim in a timely manner the Investment Credit, the ADR Deduction or the Interest Deduction; or

(iv) the failure of the Beneficiary to have sufficient liability for Federal income tax against which to credit such Investment Credit or sufficient income to benefit from the ADR Deduction or the Interest Deduction, as applicable.

In the event the Lessee is required to pay to the Lessor additional amounts under this Agreement as hereinbefore provided, the Lessee shall also pay to the Lessor on the date of payment of any Casualty Values set forth in § 7 of the Lease or any damages and amounts set forth in subparagraph (b) of § 10 of the Lease such amounts hereunder as will increase such Casualty Values or damages and amounts in accordance with the increased amounts payable on each rental date as set forth above.

2. In the event and to the extent that the cost of any improvement and/or addition to a Unit or any expenditure by the Lessee in respect of any Unit or the Lease (hereinafter called Additional Expenditures) made by the Lessee, under and pursuant to the terms of the Lease or otherwise, is required to be included in the gross income of the Beneficiary for Federal income tax purposes at any time prior to the time such Unit is disposed of in a taxable transaction, then the Lessee shall pay to the Lessor, on the next and each succeeding rental payment date after the date on which the Lessee is required to furnish written notice thereof to the Lessor pursuant to the last paragraph of this Paragraph 2 after said inclusion in the Beneficiary's gross income is required, such amount or amounts as shall, in the reasonable opinion of the Beneficiary, after taking into account any present or future tax benefits that the Beneficiary reasonably anticipates it will derive from its additional investment in the Units by reason of said inclusion (including without limitation any current deductions, future depreciation deductions and investment tax credit), cause the Beneficiary's net after-tax yield and deferred income hereunder and under the Lease (calculated on the same basis as used by the Beneficiary in originally evaluating this transaction) to equal the net after-tax yield and deferred income that would have been realized by the Beneficiary if the cost of such Additional Expenditures had not been includible in the Lessor's or the Beneficiary's gross income.

In determining the present or future tax benefits to be taken into account by the Beneficiary in establishing the payments required by this Paragraph 2, the Beneficiary shall attempt to maximize such benefits and hence minimize the amount of such payments by making such elections (including where advantageous the applicable asset guideline repair allowance and accelerated depreciation, if then permitted) and utilizing such conventions and accounting methods as will further such objectives; provided, however, that the Lessor

and the Beneficiary shall not be required to make any election or utilize a particular convention or accounting method if the Beneficiary determines, in its sole discretion but in good faith, that in so doing it will adversely affect its Federal income tax liability determined without regard to this transaction.

For purposes of this Paragraph 2 the cost of Additional Expenditures made by the Lessee shall be deemed to be "required to be included in the gross income of the Beneficiary for Federal income tax purposes" if such inclusion is required by (i) any private ruling letter issued to the Lessor or the Beneficiary by the Internal Revenue Service that has not been revoked or otherwise rendered inapplicable at the time the cost of said Additional Expenditures is incurred; (ii) any provision of the Code or the applicable regulations thereunder; or (iii) any published revenue ruling of the Internal Revenue Service which has not been held invalid by a court having ultimate appellate jurisdiction over the Federal income tax liability of the Beneficiary.

The Lessee agrees that, within 30 days after the close of any calendar year (or in the event the Lessor gives the Lessee written notice that the Lessor's taxable year closes on a date specified therein other than December 31, within 30 days after said date) in which the Lessee has made Additional Expenditures which are required to be included in the gross income of the Beneficiary for Federal income tax purposes prior to the time such Unit is disposed of in a taxable transaction, the Lessee will give written notice thereof to the Lessor and the Beneficiary describing such Additional Expenditures in reasonable detail and specifying the cost thereof with respect to each Unit.

3. In the event that the Beneficiary shall suffer a Loss of any Benefit with respect to all or part of any Unit or shall be required to include the cost of Additional Expenditures in its gross income pursuant to clauses (i), (ii) or (iii) of the third paragraph of Paragraph 2 of this Indemnity Agreement, the Lessor agrees to take such action in connection with contesting or seeking the modification of the claim or ruling of the Internal Revenue Service upon which the Loss of such Benefit or the inclusion of the cost of such Additional Expenditures is based as the Lessee shall reasonably request from time to time; provided, however, that (i) the Lessee shall notify the Lessor within 30 days after notice by the Lessor to the Lessee of such claim or ruling that the Lessee

requests that such claim or ruling be contested or that the modification thereof be sought, (ii) the Lessor, at its sole option, may forego any and all administrative appeals, proceedings, hearings and conferences with the Internal Revenue Service in respect of contesting or seeking the modification of such claim or ruling and may, at its sole option, either pay the tax claimed and sue for a refund in the appropriate District Court or in the Court of Claims, as the Lessor shall elect, or contest such claim or ruling in the Tax Court, considering, however, in good faith such request as the Lessee shall make concerning the most appropriate forum in which to proceed, (iii) the Lessee shall furnish the Lessor with an opinion of independent tax counsel who shall be satisfactory to the Lessor to the effect that a meritorious defense exists to such claim or ruling, (iv) the Lessee shall agree to pay and shall indemnify the Lessor in a manner satisfactory to the Lessor against any liability or loss which the Lessor may incur in connection with contesting or seeking the modification of such claim or ruling, including, without limitation (A) reasonable attorneys' and accountants' fees and disbursements and (B) the amount of any interest, penalty and other sums which may ultimately be payable as the result of contesting or seeking the modification of such claim or ruling and (v) the Lessee shall furnish reasonable security for such indemnification as may be requested. In the case of any such claim or ruling, the Lessor agrees to notify promptly the Lessee in writing of such claim or ruling and agrees not to make payment of the tax claimed for at least 30 days after the giving of such notice and agrees to cooperate with the Lessee in order to contest effectively or obtain the modification of any such claim or ruling. Notwithstanding anything herein contained to the contrary, if the Lessee elects to contest or seek the modification of such claim or ruling and is successful, the Lessee agrees to pay the Lessor's expenses, including reasonable attorneys' fees, incurred in such contest or proceeding.

4. The Lessee shall, at the time of execution and delivery hereof, deliver to the Lessor an opinion of counsel of the Lessee covering the same matters as are set forth in subparagraph (c) of Paragraph 7 of the Participation Agreement (No. 1) dated as of June 15, 1976, between the parties hereto and certain other parties, but limited in scope to this Agreement.

5. Immunities; Satisfaction of Undertakings. It is expressly understood and agreed by and between the parties

hereto, anything in this Agreement to the contrary notwithstanding, that each and all of the representations, undertakings and agreements herein made on the part of the Lessor are each and every one of them made and intended not as personal representations, undertakings and agreements by Exchange National Bank of Chicago or for the purpose or with the intention of binding the said bank personally but are made and intended for the purpose of binding only the Trust Estate as such term is used in the Trust Agreement, and this Agreement is executed and delivered by the said bank solely in the exercise of the powers expressly conferred upon the said bank as trustee under the Trust Agreement; and that no personal liability or personal responsibility is assumed by or shall at any time be asserted or enforceable against the said bank or the Beneficiary (except as provided in the Trust Agreement) or on account of any representation, undertaking or agreement of the Lessor, either expressed or implied, all such personal liability, if any, being expressly waived and released by the Lessee and by all persons claiming by, through or under the Lessee; provided, however, that the Lessee or any person claiming by, through or under it, making claim hereunder, may look to said Trust Estate for satisfaction of the same.

IN WITNESS WHEREOF, the parties hereto, each pursuant to due corporate authority, have cause this instrument to be executed in their respective corporate name by duly authorized officers all as of the date first above written.

LOUISIANA & ARKANSAS RAILWAY
COMPANY,

by M J McBlair
Vice President

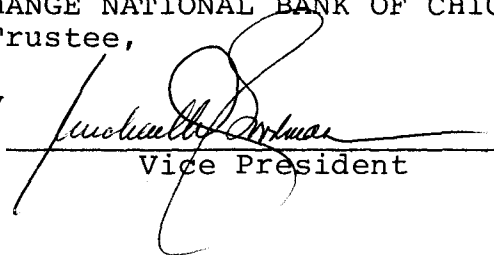
[Corporate Seal]

Attest:

Geraldine A. Dallas
Secretary

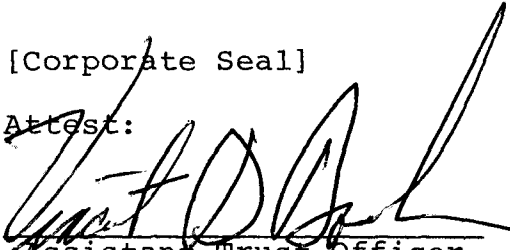
EXCHANGE NATIONAL BANK OF CHICAGO,
as Trustee,

by


Vice President

[Corporate Seal]

Attest:


Assistant Trust Officer

STATE OF *MISSOURI*,)
) ss.:
COUNTY OF *JACKSON*,)

On this *13th* day of *AUGUST*, 1976, before me personally appeared *M. F. McClain*, to me personally known, who, being by me duly sworn, says that he is a Vice President of LOUISIANA & ARKANSAS RAILWAY COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

E. R. Gibbins

Notary Public

[Notarial Seal]

My Commission expires
November 30, 1977

STATE OF ILLINOIS,)
) ss.:
COUNTY OF COOK,)

On this 16 day of August 1976, before me personally appeared MICHAEL D. GOODMAN, to me personally known, who, being by me duly sworn, says that he is a Vice President of EXCHANGE NATIONAL BANK OF CHICAGO, that one of the seals affixed to the foregoing instrument is the corporate seal of said national bank, that said instrument was signed and sealed on behalf of said national bank by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said national bank.


Notary Public

[Notarial Seal]

My Commission expires

April 27, 1978